

**STATEMENT OF MARK LEVINSON,
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On
THE UNITED STATES-VIETNAM BILATERAL TRADE AGREEMENT
Before the
Senate Finance Committee
June 26, 2001**

My name is Mark Levinson. I am the Director of Research and Policy for UNITE, the Union of Needletrades, Industrial and Textile Employees. Thank you for giving me the opportunity to testify on behalf of our 250,000 members in the United States and Canada.

At UNITE we have looked carefully at the U.S.-Vietnam Bilateral Trade Agreement (BTA) and compared it to an existing apparel trade agreement with Vietnam's neighbor, Cambodia.

We cannot support this agreement because it is silent on the important question of worker rights and environmental protections and therefore is not likely to lead to equitable development. Furthermore, this agreement threatens to undermine the only successful attempt to link trade and labor rights: the U.S. – Cambodia Apparel Agreement.

The Vietnam BTA: Again the Double Standard

We in the labor movement believe that labor rights and environmental protections should have the same status in trade agreements as provisions that protect the rights of investors. The Vietnam BTA has many provisions to protect investors. It contains no provisions to protect workers or the environment.

We are told that getting labor rights in this agreement would have meant major changes in Vietnam and therefore were not achievable as part of this trade agreement. Perhaps so. But according to U.S. Ambassador Peterson, "Implementing the BTA will not be easy for the Vietnamese. *They will have to make a lot of changes in their laws, regulations, procedures, and institutions.*"¹ This is not the first time that the U.S., as a result of trade negotiations, has forced a country to change their "laws, regulations, procedures and institutions" in a way that will benefit multinational businesses while doing nothing for workers and the environment. And it is also not the first time that UNITE has opposed a trade agreement because of this unacceptable double standard.

There are powerful interests who stand to benefit a great deal from the agreement. Once again, Ambassador Peterson is quite explicit about this: "Lots of

¹ Ambassador Douglas B. "Pete" Peterson, Speech to the Asia Society, March 9, 2001, Washington, DC.

anxious American and Vietnamese business people are banking on the BTA's entry into force.... U.S. businesses will gain a great deal from the BTA.... The BTA will make Vietnam a much more attractive place for investors..."² While I appreciate Ambassador Peterson's candor, it would have been nice had he addressed the anxiety of workers, in the U.S. and Vietnam, about the BTA. Their anxiety about the BTA is of a different sort than that felt by the "anxious" American and Vietnamese businessmen.

Trade Liberalization Is Not A Development Policy

Let me be clear. UNITE is not opposed to trade. Contrary to President Bush's comments last week to the Business Roundtable, we are neither "protectionists" nor "isolationists." We believe trade can be a positive force for development. In fact, we support the U.S.-Jordan Free Trade Agreement and were actively involved with the United States Trade Representative in developing the U.S.-Cambodia Bilateral Textile Agreement. We believe those two agreements point in a direction that can improve conditions for workers in those countries and, eventually, in our own country.

For trade to be part of a strategy for development, it must strengthen democratic institutions that move developing societies toward the rule of law and a more equitable distribution of wealth.

As Former U.S. Trade Representative and Commerce Secretary Mickey Kantor advised this Committee on April 4, 2001, our trading partners will benefit by enforcement of core labor standards through trade agreements. Kantor stated:

"Studies indicate that the implementation and enforcement of core labor standards tends to grow the GDP of the initiating country. In addition, support for a market economy and enhanced democracy are aided by these changes. Studies also indicate that the size of the middle class increases, as does the stability of the country. . . . Implementation and enforcement of core labor standards will raise standards of living and thus spread the benefits of trade. To the extent these benefits inure to more and more people, income gaps will tend to shrink."³

The effects of our current trade policies absent labor rights enforcement have been disappointing at best. Apparel exports to the United States from Mexico and a few Caribbean Basin countries boomed during the 1990s. Employment in Mexico's apparel industry increased some 60 percent between 1993 and 1998. However, real (inflation-adjusted) hourly compensation for Mexican apparel workers dropped almost 25 percent over the same period.⁴ The wages of the majority of workers employed in the apparel *maquiladoras* and "export processing zones" of Mexico and the Caribbean Basin are

² Ibid.

³ Mickey Kantor, Statement Before the United States Senate Finance Committee, April 4, 2001.

⁴ UNITE analysis of official Mexican data on consumer price indices and total compensation. Data available via the internet at www.inegi.gob.mx.

insufficient to purchase nationally defined “basic baskets” of goods and services that satisfy physical needs.⁵

Nor has special access to the U.S. apparel market enhanced freedom of association or the right to organize and bargain collectively. Only a few dozen collective bargaining agreements exist in the Caribbean Basin region, where approximately half a million workers employed at hundreds of companies produce apparel for export to the United States. Employers, in collusion with government authorities, systematically crush workers’ organizing efforts. Employees are left defenseless against the arbitrary and abusive practices of their employers.

Meanwhile, the race to the bottom continues as countries are forced to compete with each other on the basis of which one can offer the lowest wage costs. In just the most recent example, 12 maquilas employing more than 7,000 workers, moved from Honduras to neighboring Nicaragua, which has lower labor costs.⁶

The Dismal State of Labor Rights in Vietnam

UNITE believes a trade agreement with Vietnam, in order to produce the desired result, must include provisions requiring that country to conform its laws and its practices to the core labor standards adopted in 1998 by the International Labor Organization and binding on all member countries, including Vietnam. Those core labor standards are the right to freedom of association, to organize and bargain collectively and to be free from child labor, prison, bonded or indentured labor and discrimination in employment.

The state of labor relations in Vietnam today falls far below ILO standards. According to a recent Congressional Research Service report:

“Vietnamese workers are not free to form their own independent unions. All unions must belong to the Vietnam General Confederation of Labor (VGCL), an organ of the Communist Party. Analysts have observed that the absence of a true right of association in Vietnam has impeded the improvement of labor rights in other areas. Collective bargaining agreements remain the exception rather than the rule. Vietnam’s *doi moi* (renovation) economic reforms, launched in 1986, have been followed by surging urban unemployment and a rise in child labor, forced prostitution, and the trafficking of women and children. Workers in all sectors of the economy are often exposed to dangerous, unhealthy, and in some cases impoverished “sweatshop” conditions. Rapid economic expansion, corruption, and shortages of funds, training, and personnel have made it

⁵ See Equipo Tecnico Multidisciplinario Para Centroamerica, Cuba, Haiti, Mexico, Panama, y Republica Dominicana, *Fuerza Laboral, Ingresos y Poder Adquisitivo de los Salarios en Centroamerica, Panama y Republica Dominicana*. San Jose, Costa Rica: Oficina Internacional del Trabajo, 1998. This report contains data on the cost of basic food baskets for the larger countries of the Caribbean Basin. A simple rule of thumb to estimate the cost of a more complete basket is to double the cost of the food basket.

⁶ “Maquila Sector Down, Caribbean Update, June 17, 2002.

extremely difficult for government authorities to enforce Vietnam's labor laws.”⁷

While the CRS report contends that the worker rights situation has improved since 1992, it describes the increasing labor assertiveness and wildcat strikes as being “tolerated by the government.” In an undemocratic state, behavior that is tolerated today may not be tolerated tomorrow. In fact, Human Rights Watch reported a “renewed crackdown on dissidents” in Vietnam in May of this year.⁸

Vietnam Labor Watch has observed a constriction of labor freedom and an increase in worker abuse since 1998 in the export oriented textile and shoe industries. In response to the Asian financial crisis and pressure from foreign governments and investors and international financial institutions, the Ministry of Labor and VGCL were forced to stop their public attacks on foreign companies and to accept the relaxation of labor law enforcement. Pointing to the example of Nike, the Vietnam Labor Watch report cites “a subsistence wage of \$40 per month . . . forced overtime, inadequate housing, and poor working conditions.”⁹

A recent article in the Far Eastern Economic Review describes the situation this way:

The party has no wish to see unions grow too strong. It realizes that Vietnam's primary draw for foreign investors is an inexpensive, pliant, and relatively efficient workforce.”¹⁰

“The US needs to send a clear signal to Vietnam,” according to Vietnam Labor Watch, “that enforcement of labor laws is a crucial component in obtaining access to US markets.”¹¹ The U.S., sadly, has sent the opposite signal.

An Alternative Model: The U.S.-Cambodia Apparel and Textile Agreement

Cambodia, like Vietnam, is entering the modern industrial era on the backs of mostly young female workers, freshly arriving from the countryside, who are willing to work at \$40 a month in an industry where payment of sub-minimum wages is the norm and employers from Hong Kong, China, Taiwan, Korea, and Thailand demand forced overtime that stretches into 12 – 14 hour days. Cambodia has a modern labor code which offers numerous protections and guarantees the rights of workers to form unions. It is infrequently enforced.

In 1999 the U.S. and Cambodia concluded a bilateral apparel and textile agreement that for the first time links trade and labor rights. The agreement says that the U.S. will

⁷ Congressional Research Service, Vietnam's Labor Rights Regime: An Assessment. March 23, 2001.

⁸ Human Rights Watch World Report 2001: Vietnam.

⁹ Vietnam Labor Watch, The State of Labor Relations in the Textile and Shoe Industry in Vietnam. January 5, 2001.

¹⁰ Margot Cohen, “Vietnam: Please, No Rabble-Rousing,” Far Eastern Economic Review, April 26, 2001).

¹¹ Vietnam Labor Watch, The State of Labor Relations in the Textile and Shoe Industry in Vietnam.

grant Cambodia 14% additional apparel quota if “working conditions in the Cambodian textile and apparel sector substantially comply” with internationally recognized core labor standards and Cambodian labor law.” The U.S. and Cambodia agreed that the ILO would monitor conditions in the Cambodian apparel industry and report their findings.

This is a first for the U.S., giving positive incentives for respect for core labor rights. It is also a breakthrough agreement for labor rights with an ASEAN state, a fact that has not been lost on some of Cambodia’s neighbors. The Cambodian government was reportedly strongly criticized by other more authoritarian ASEAN governments for letting labor rights be connected with trade.

The agreement is working. Although there are still many problems in Cambodia conditions are improving. Labor activists in Cambodia report that the agreement is responsible for opening some political space for workers and unions to assert their rights. Workers are demonstrating, organizing and protesting. Last year after a series of strikes the minimum wage in the Cambodian apparel industry was increased. The factory owners and the government know that if they crack down in violation of the law they will lose the badly needed additional quota.

But the gains made in Cambodia are threatened by an agreement with Vietnam that does not include labor rights. Hourly production wages are lower in Vietnam than in Cambodia. A trade agreement with Vietnam with no labor rights provisions will increase the likelihood that the industry will move from Cambodia to Vietnam. A level playing field requires the same type of labor rights incentives for Vietnam as for Cambodia.

Conclusion

At a minimum Congress should insist that the upcoming negotiations of a U.S.–Vietnam apparel and textile agreement include provisions similar to those in the Cambodia agreement. To not do so will undercut the one successful example of incorporating labor rights into a trade agreement.

I have attached to this statement a UNITE proposal that would create positive incentives for the strengthening of worker rights in Vietnam.